

FDIC State Profile

Summer 2005

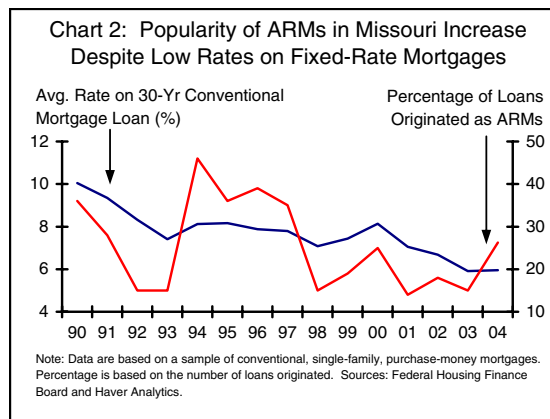
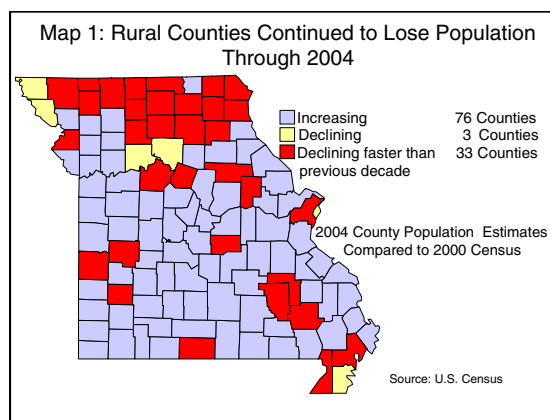
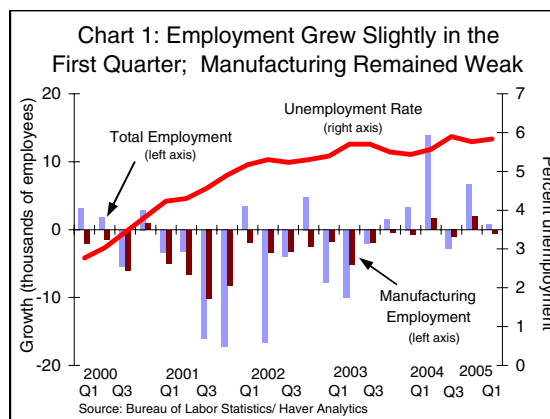
Missouri

Missouri's economy remained sluggish in the first quarter of 2005.

- Missouri's economy exhibited weak growth in the first quarter, adding only 800 jobs. The manufacturing sector remained especially lackluster, as it declined by 1,100 jobs in the quarter. In total, over the past year Missouri's manufacturing sector has gained less than 2,000 of the 59,000 jobs lost since the beginning of 2000 (See Chart 1).
- Most of the jobs added in the first quarter were driven by hiring in educational and health services, which was also the strongest sector on a year-over-year basis. The weakest sectors were retail trade and construction, which hired fewer workers than the state's historical average.
- Missouri's unemployment rate was unchanged from the previous quarter at 5.8 percent, but above the 5.4 percent rate of a year earlier.

Missouri's rural counties have continued to lose population since the 2000 Census.

- According to the 2004 Estimates of County Population released by the Census Bureau in April 2005, Missouri's population increased by more than 35,000 people compared with the previous year. Metropolitan areas showed most of the increase, accounting for more than 70 percent of the added population.
- However, Missouri's rural counties continued their trend of depopulation as 36 of the state's 115 counties lost population from 2000 to 2004. During that period Missouri's population grew 2.9 percent, ranking 28th among the states.
- While recent population losses in rural counties are a continuation of a decades-long trend, depopulation is accelerating over parts of the state. Thirty-three counties lost population at a faster rate from 2000 to 2004 than from 1990 to 2000 (See Map 1). Most of these counties are among the most agriculturally dependent in the state.



State Profile

The popularity of adjustable-rate mortgages (ARMs) has increased despite low rates on fixed-rate mortgages.

- Despite historically low mortgage rates and spreads between fixed-rate and ARMs in 2003 and 2004, home purchasers in Missouri have increasingly chosen ARMs (See Chart 2).
- Adjustable-rate mortgages increased as a share of both originations and commercial bank portfolios. Some of these borrowers may be vulnerable to rising debt service requirements should interest rates increase.

Although home prices appreciated significantly in many areas of the nation, Missouri changes were more moderate.

- Average home prices in Missouri appreciated 7.4 percent from the first quarter of 2004 to the first quarter of 2005, considerably less than the national rate of 12.5 percent (See Map 2). While Missouri ranked 32nd of the 50 states in percentage increase, the appreciation was still well above the rate of overall inflation in the economy.
- Home prices in the state's largest market, **St. Louis**, grew 8.4 percent. Home prices in **St. Joseph** and **Fayetteville** also grew more than the state average, while growth in the other five metropolitan areas grew less than the state average.
- Home prices in Missouri have been growing faster than per capita income since the first quarter of 1999, though the difference has been much smaller than the national gap.

Commercial and industrial loan growth slipped in the first quarter of 2005 while delinquencies increased.

- Statewide, median commercial and industrial (C&I) loan growth declined nearly two percentage points in first quarter 2005, though the growth was slightly higher compared with historical levels. C&I delinquencies increased for the second consecutive quarter after bottoming at a historically low 1.07 percent in September 2004 (See Chart 3).
- C&I loan growth in institutions headquartered in **Kansas City** has recovered since declining by 3.7 percent in third quarter 2003, though growth has stalled in the 3 percent range. In addition to a weak economic climate that is hindering business growth, local institutions face stiff competition for C&I loans from large out-of-market institutions.

Profitability declined on rising noninterest expenses and loan loss provisions, and reduction of securities gain income.

- At small community institutions, those with assets less than \$250 million, annualized pretax return on assets (ROA) decreased slightly from one year ago but still remains strong by historical standards (See Table 1).
- Because of strong loan growth, driven by commercial real estate lending, net interest margins improved slightly, although funding costs rose more sharply than loan yields.

Map 2: Missouri's Metro Areas Are Experiencing Modest Home Price Growth

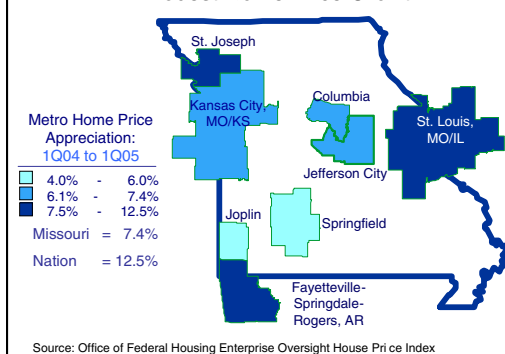


Chart 3: Commercial Loan Growth Declined and Delinquencies Increased in the First Quarter of 2005

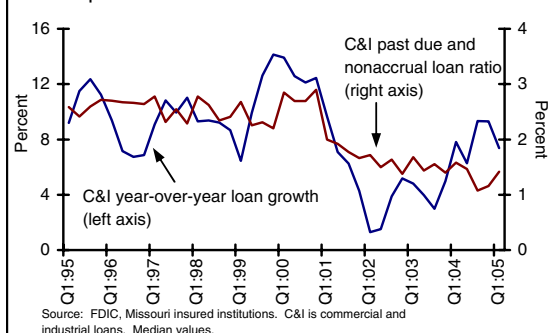


Table 1: Profitability, Driven By Increased Costs and Declining Securities Gains, Declined in the First Quarter

Income statement contribution (as a percentage of average assets)			
	First Quarter (annualized)		Percentage Point Change
	2005	2004	
Net Interest Income	3.66	3.64	0.02
Noninterest Income	0.73	0.72	0.01
Noninterest Expense	2.87	2.83	0.04
Provision Expense	0.16	0.14	0.01
Security Gains & Losses	0.01	0.06	(0.05)
Net Income (ROA) Before Taxes	1.38	1.60	(0.07)

Source: FDIC. Missouri small community institutions (total assets less than \$250 million), excluding denovo and specialty institutions.

Missouri at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.1%	-0.3%	-0.9%	-1.2%	-0.1%
Manufacturing (12%)	0.7%	-2.6%	-3.3%	-7.5%	-3.1%
Other (non-manufacturing) Goods-Producing (5%)	2.7%	1.2%	-4.1%	-0.6%	0.0%
Private Service-Producing (67%)	1.3%	0.2%	-0.5%	-0.6%	0.4%
Government (16%)	0.1%	-1.1%	0.6%	1.2%	0.1%
Unemployment Rate (% of labor force)	5.8	5.4	5.4	5.2	4.2

Other Indicators	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Personal Income	N/A	3.6%	2.8%	3.9%	3.9%
Single-Family Home Permits	10.3%	16.7%	2.3%	9.5%	-11.0%
Multifamily Building Permits	-4.1%	17.4%	-2.2%	-33.4%	19.5%
Existing Home Sales	4.9%	3.2%	14.6%	2.3%	1.8%
Home Price Index	7.4%	5.6%	4.7%	5.8%	6.0%
Bankruptcy Filings per 1000 people (quarterly level)	1.65	1.63	1.61	1.37	1.29

BANKING TRENDS

General Information	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Institutions (#)	372	376	378	385	398
Total Assets (in millions)	91,972	87,752	83,433	75,801	71,775
New Institutions (# < 3 years)	9	6	9	11	17
Subchapter S Institutions	103	99	87	80	70

Asset Quality	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.55	1.60	1.85	2.25	2.23
ALLL/Total Loans (median %)	1.20	1.20	1.25	1.21	1.19
ALLL/Noncurrent Loans (median multiple)	2.73	2.14	1.95	1.93	1.70
Net Loan Losses / Total Loans (median %)	0.10	0.10	0.10	0.11	0.10

Capital / Earnings	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Tier 1 Leverage (median %)	9.17	9.10	8.91	8.80	8.75
Return on Assets (median %)	1.02	1.03	1.04	1.05	1.01
Pretax Return on Assets (median %)	1.44	1.42	1.41	1.42	1.39
Net Interest Margin (median %)	4.20	4.18	4.17	4.16	4.16
Yield on Earning Assets (median %)	6.96	6.87	7.04	7.25	7.62
Cost of Funding Earning Assets (median %)	2.80	2.75	2.93	3.15	3.51
Provisions to Avg. Assets (median %)	0.14	0.14	0.15	0.15	0.14
Noninterest Income to Avg. Assets (median %)	0.60	0.62	0.61	0.59	0.57
Overhead to Avg. Assets (median %)	2.87	2.85	2.82	2.79	2.81

Liquidity / Sensitivity	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Loans to Assets (median %)	70.9	68.4	66.7	66.0	66.7
Noncore Funding to Assets (median %)	17.0	16.0	15.9	15.4	15.9
Long-term Assets to Assets (median %, call filers)	9.1	10.5	9.9	8.9	8.7
Brokered Deposits (number of institutions)	85	67	57	50	42
Brokered Deposits to Assets (median % for those above)	3.3	2.2	2.0	1.2	0.7

Loan Concentrations (median % of Tier 1 Capital)	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Commercial and Industrial	76.1	77.5	78.5	78.0	78.8
Commercial Real Estate	196.4	175.6	172.0	157.2	145.3
Construction & Development	39.4	31.3	26.4	25.9	25.7
Multifamily Residential Real Estate	2.9	2.7	2.5	2.9	2.4
Nonresidential Real Estate	132.6	125.0	127.1	114.1	103.3
Residential Real Estate	216.6	215.7	230.3	235.8	232.5
Consumer	43.9	50.0	53.9	59.6	65.1
Agriculture	73.5	69.8	69.6	69.2	74.3

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
St. Louis, MO-IL	134	44,238	< \$250 million	306 (82.3%)
Kansas City, MO-KS	154	31,123	\$250 million to \$1 billion	55 (14.8%)
Springfield, MO	43	6,134	\$1 billion to \$10 billion	10 (2.7%)
Jefferson City, MO	23	2,695	> \$10 billion	1 (0.3%)
Columbia, MO	19	2,021		